
**SASKATCHEWAN
MINING
DEVELOPMENT
CORPORATION**

**1989
ANNUAL
REPORT**



**SASKATCHEWAN
MINING
DEVELOPMENT
CORPORATION**

ANNUAL REPORT

For the Year Ended
December 31, 1989

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 30, 1990

To Her Honour
Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Mining Development Corporation for the year ended December 31, 1989 in accordance with **The Saskatchewan Mining Development Corporation Act**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,



Eric Berntson
Minister Responsible
Saskatchewan Mining
Development Corporation

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

BOARD OF DIRECTORS

Wolfgang Wolff, F.C.A., Chairman
Regina

Hon. Eric Berntson
Regina

Hon. Richard J. Swenson
Regina

Greg Mrazek
Regina

Ian Disbery
Regina

OFFICERS

Greg Mrazek
President

Ian Disbery
Secretary

OFFICE

2400 College Avenue
Regina, Saskatchewan
S4P 1C8

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

CHAIRMAN'S REPORT

Saskatchewan Mining Development Corporation - The Holding Company

In 1988, Cameco - A Canadian Mining and Energy Corporation (Cameco) was formed by Saskatchewan Mining Development Corporation (SMDC), a Saskatchewan Crown Corporation, and Eldorado Nuclear Limited (Eldorado), a federal Crown corporation. As part of the agreements signed on October 5, 1988, substantially all of the operating assets, contracts and net working capital of SMDC and Eldorado were transferred to Cameco in exchange for common shares and promissory notes. Cameco paid the promissory notes in December of 1988 from the proceeds of a private debt issue.

As a result of the transfer of assets and a subsequent financial restructuring, SMDC was transformed into a holding company. At December 31, 1989, SMDC held 6.385 million shares which represent 61.5% of Cameco's outstanding common shares. SMDC also held one Class B share of Cameco which gives the Corporation special voting rights regarding the location of the Cameco Head Office.

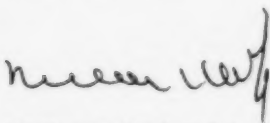
Financial Results for 1989

SMDC reported net earnings of \$14.8 million in 1989, compared with \$253.2 million (restated) in 1988. The 1988 net earnings include a gain by SMDC on the issue of Cameco shares in the amount of \$202.7 million.

SMDC accounts for its investment in Cameco using the equity method of accounting, whereby the book value is increased by SMDC's share of Cameco's earnings and reduced by cash dividends received. Cameco reported net income of \$23.5 million in 1989.

During 1989, Cameco paid a stock dividend to SMDC consisting of 235,267 Cameco common shares. Since the number of shares received was 61.5% of the total stock dividend, SMDC's proportionate ownership of Cameco remained unchanged and earnings were not affected.

March 30, 1990



Wolfgang Wolff, F.C.A.
Chairman

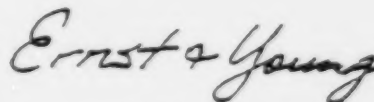
AUDITORS' REPORT

To the Members of the Legislative Assembly,
Province of Saskatchewan

We have examined the statement of financial position of Saskatchewan Mining Development Corporation as at December 31, 1989 and the statements of operations and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy by the investee as described in Note 5 to the financial statements, on a basis consistent with that of the preceding year.

Regina, Canada
February 16, 1990



Chartered Accountants

SASKATCHEWAN MINING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 1989

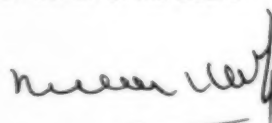
	1989	1988
	(thousands of dollars)	
ASSETS		
		Restated (Note 5)
Current:		
Due from Crown Investments Corporation	\$ 544	\$ -
Investment in Cameco (Note 3)	545,106	530,642
	<u>\$ 545,650</u>	<u>\$ 530,642</u>

LIABILITIES AND PROVINCE'S EQUITY

Accounts payable and accrued charges	\$ 662	\$ 474
Province of Saskatchewan's Equity:		
Equity advances (Note 4)	406,187	406,187
Reinvested earnings	138,801	123,981
	<u>544,988</u>	<u>530,168</u>
	<u>\$ 545,650</u>	<u>\$ 530,642</u>

(See accompanying notes)

Approved on behalf of the Board

 , Director
 , Director

SASKATCHEWAN MINING DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND REINVESTED EARNINGS

Year ended December 31, 1989

	1989 (thousands of dollars)	1988 (thousands of dollars)
		Restated (Note 5)
Revenue:		
Share of Cameco earnings (Note 3)	\$ 14,464	\$ 19,375
Interest	-	9,161
Other	558	-
	15,022	28,536
Earnings from mining operations (Note 6)	-	21,967
	15,022	50,503
Operating expenses	202	-
Earnings before extraordinary item	14,820	50,503
Gain on issue of shares by Cameco	-	202,724
Net earnings	14,820	253,227
Reinvested earnings (deficit), beginning of year, as previously reported	115,804	(99,011)
Effect of Cameco change in accounting policy (Note 5)	8,177	9,765
As restated	123,981	(89,246)
Dividend	-	(40,000)
Reinvested earnings, end of year	<u>\$ 138,801</u>	<u>\$ 123,981</u>

(See accompanying notes)

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31, 1989

	1989 (thousands of dollars)	1988 Restated (Note 5)
Cash provided by (used in):		
Operating activities:		
Earnings before extraordinary item	\$ 14,820	\$ 50,503
Add (deduct) non-cash items		
Share of Cameco earnings	(14,464)	(19,375)
Depreciation, amortization and other	-	25,597
	356	56,725
Net change in non-cash working capital balances relating to operations	(356)	(33,158)
Cash from operating activities	-	23,567
Investing activities:		
Proceeds on sale of assets to Cameco	-	825,357
Investment in Cameco	-	(470,552)
Fixed asset additions	-	(36,473)
	-	318,332
Financing activities:		
Long-term debt repaid	-	(469,747)
Long-term debt proceeds	-	64,090
Equity advances received	-	375,046
Equity advances repaid	-	(218,700)
Notes payable repaid	-	(73,250)
Dividends paid	-	(70,000)
Deferred revenue	-	(5,245)
Proceeds on sale of borrowed gold	-	2,505
Deferred financing costs	-	(205)
	-	(395,506)
Decrease in cash	-	(53,607)
Cash, beginning of year	-	53,607
Cash, end of year	\$ -	\$ -

(See accompanying notes)

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

1. Accounting Policy

Investment in Cameco - A Canadian Mining & Energy Corporation

Saskatchewan Mining Development Corporation (SMDC) owns 6,385,267 (61.5%) of the outstanding voting common shares of Cameco - A Canadian Mining & Energy Corporation (Cameco). In conjunction with the other shareholder of Cameco, SMDC agreed to reduce its ownership interest in Cameco through a series of share offerings over a specified period of years. As a result of this formal disposal plan, SMDC has adopted the equity method of accounting for its investment in Cameco. Accordingly, the carrying value of SMDC's investment in Cameco will be adjusted for SMDC's share of Cameco's earnings or losses and reduced by dividends received.

2. Status of Saskatchewan Mining Development Corporation

The Corporation was established by Order-in-Council #865/74 dated June 4, 1974 and continued under the Saskatchewan Mining Development Corporation Act, 1977. The Corporation's accounts are included in the annual consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

The Corporation is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. Investment in Cameco

As at December 31, 1988 the Corporation owned 6,150,000 voting common shares of Cameco representing a 61.5% interest. During 1989 Cameco paid a stock dividend which resulted in the Corporation receiving a further 235,267 common shares. The Corporation's percentage of ownership remained at 61.5%.

Included in the investment in Cameco is one Class B share of Cameco purchased for consideration of \$1. This share provides SMDC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

4. Equity Advances

The equity advances have been received from Crown Investments Corporation of Saskatchewan (CIC), are non-interest bearing and are repayable at the discretion of CIC.

5. Change in Cameco Accounting Policy

Reinvested earnings at December 31, 1988 and December 31, 1987 have been increased by \$8,177,000 and \$9,765,000 respectively to reflect a retroactive change in Cameco's method of inventory valuation. Prior to 1989, all costs of mining and milling activities were allocated to finished uranium concentrates inventory. In 1989, Cameco changed its method of accounting for mining costs so that mining costs are allocated to broken ore as it is stockpiled. The cost of broken ore which then enters the milling process is allocated, along with milling costs, to uranium concentrates inventory.

The Corporation's 1988 net earnings, previously reported as \$254,815,000 have been reduced by \$1,588,000 to reflect the retroactive adoption of this change in accounting policy. The 1988 Statement of Operations and Retained Earnings has been restated to report the effect of the change in accounting policy. The \$9,765,000 restatement relates to years prior to December 31, 1987.

The adoption of this change in accounting policy increased SMDC's share of Cameco earnings by \$6,407,000 in the 1989 financial statements.

6. Earnings from Mining Operations

On October 5, 1988, the Corporation sold its mining operations to Cameco. The following represents a summary of the revenues and expenses for these mining operations for the period January 1, 1988 to October 5, 1988 (in thousands):

	Restated (Note 5)
Sales:	
Uranium concentrates	\$ 105,264
Gold bullion	7,145
	<u>112,409</u>
Expenses:	
Operating	26,112
Depreciation and amortization	32,539
Interest	10,290
Selling, administrative and other	21,501
	<u>90,442</u>
Earnings from mining operations	<u>\$ 21,967</u>

7. Comparative Figures

Certain of the 1988 comparative figures have been reclassified to conform with the current year's presentation.